

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11* ISO-00 NEA-10 L-03 H-03 IO-14 PA-04

PRS-01 USIA-15 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DOT-00 DRC-01 /179 W

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P 170858Z JAN 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 428

INFO AMEMBASSY SEOUL PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 4/30/74

TAGS: EAID, EFIN, KS

SUBJ: PROPOSED ADB TECHNICAL ASSISTANCE TO KOREA

FOR ROAD IMPROVEMENT PROJECT

REF: MANILA 465

SUMMARY: ADB MANAGEMENT PROPOSES \$450,000 EQUIVALENT LOAN FROM ORDINARY CAPITAL FUNDS AND \$100,000 EQUIVALENT TECHNICAL ASSISTANCE (TA) GRANT TO REPUBLIC OF KOREA TO FINANCE FOREX COSTS OF PREPARING FEASIBILITY STUDIES AND DETAILED ENGINEERING DESIGNS AND TENDER DOCUMENTS FOR IMPROVING ABOUT 1300 KM OF UNPAVED ROAD SECTIONS IN SOUTHERN PART OF KOREA, AND RECONSTRUCTING OR WIDENING 166 BRIDGES ALONG NATIONAL ROADS PAVED IN RECENT YEARS

ADP000

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6. IBRD-FINANCED KOREA TRANSPORTATION SURVEY IN 1966 RE-

COMMENDED GREATER UTILIZATION OF ROAD TRANSPORT.
IN LINE WITH RECOMMENDATIONS THAT SURVEY, MAJOR INVEST-
MENTS HAVE BEEN MADE IN RECENT YEARS FOR ROADS, WITH
CAPITAL EXPENDITURE THIS SECTOR MAINLY IN HIGH STANDARD
NATIONAL HIGHWAYS AND EXPRESSWAYS SUCH AS SEOUL-BUSAN TOLL
EXPRESSWAY. WITH MAJOR EXPRESSWAY NETWORK COMPLETE,
ROK EMPHASIS NOW IS ON RAPID IMPROVEMENT EXISTING UNPAVED
NATIONAL ROADS TO FACILITATE AGRICULTURAL DEVELOPMENT,
AND DISPERSION OF INDUSTRIES OUTSIDE GROWTH CENTERS OF

SEOUL, BUSAN AND DAEGU. THIS WILL REQUIRE ROAD NETWORK
LINKING RURAL AREAS WITH MARKETS AND MEDIUM AND LARGE
CITIES.

7. EXISTING GRID OF MOST NATIONAL AND PROVINCIAL ROADS

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WHILE IN POOR CONDITION AND UNSURFACED, GENERALLY HAVE
ADEQUATE GEOMETRIC STANDARDS AND SATISFACTORY ALIGNMENT,
REQUIRING ONLY LIMITED RIGHT-OF-WAY ACQUISITION AND
CIVIL WORKS TO IMPROVE. WITH MODEST INVESTMENT, MOSTLY
PAVING AND BRIDGE IMPROVEMENT, BENEFITS OF MORE RAPID,
LOWER COST TRANSPORT CAN BE QUICKLY BROUGHT TO BULK OF
RURAL POPULATION. ROK HAS ADOPTED THIS POLICY IN LIEU
OF FURTHER EXPRESSWAY INVESTMENT.

8. IBRD SECOND HIGHWAY LOAN WILL FINANCE 660 KM OF NATIONAL
ROADS IN CENTRAL AND NORTHERN PARTS OF KOREA, WHILE ROAD

IMPROVEMENT PROJECT PROPOSED FOR BANK FINANCING WILL COVER SOUTHERN HALF OF KOREA. IBRD LOAN INCLUDED HIGHWAY PAVING STUDY WHICH ESTABLISHED HIGH BENEFITS FROM PAVING NATIONAL ROADS. PROJECT AREA COMPRISED OF 3 SUBREGIONS EACH HAVING DISTINCTIVE ECONOMIC FUNCTION: A) CENTRAL SOUTHERN PORTION HAVING POTENTIAL FOR AGRICULTURE AND TOURISM - 640 KM; B) SOUTHWEST PORTION OF 230 KMS IN TYPICALLY RICE-PRODUCING AREA, AND C) SOUTHEAST AND COASTAL REGION HAVING 430 KMS SERVING INDUSTRIAL GROWTH CENTERS. PROJECT AREA INCLUDES OTHER BANK-FINANCED PROJECTS, INCLUDING PROPOSED NAMGANG-IMJIN AREA DEVELOPMENT, CAPROLACTAM PROJECT IN ULSAN, FISHERIES DEVELOPMENT IN BUSAN AND BUSAN AND DAEGU WATER SUPPLY PROJECTS.

9. PROJECT GIVEN HIGH PRIORITY BY ROK IN ACCELERATED

NATIONAL DEVELOPMENT PLANS FOR ROAD TRANSPORT SECTOR. THIRD FIVE YEAR DEVELOPMENT PLAN (1972-1976), ALLOCATES NEARLY HALF OF TRANSPORT SECTOR INVESTMENT TO ROAD DEVELOPMENT. PROJECT IS SUPPORTIVE OF TWO OTHER MAJOR THRUSTS OF DEVELOPMENT PLAN EMPHASIZING RURAL DEVELOPMENT AND HEAVY INDUSTRY. EXPECTED UPWARD TREND OF GNP WILL RESULT IN HIGHER TRANSPORT DEMANDS WITH ROAD TRANSPORT ACCOUNTING FOR LARGEST PART OF INCREASE.

10. PROJECT ALSO COMPLEMENTARY TO AND PROVIDES LINKAGES BETWEEN EXISTING EXPRESSWAYS AND LABOR-INTENSIVE FEEDER ROAD PROGRAM NOW UNDERWAY UNDER AUSPICES SAE MAEUL MOVEMENT TYING FARM AND FISHING VILLAGE TO NATIONAL ROAD NETWORK. COMPLETION OF FEEDER ROADS AND IMPROVEMENT OF PROJECT LIMITED OFFICIAL USE
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ROADS WOULD REDUCE TRANSPORT AND ROAD MAINTENANCE COSTS, MINIMIZE DISPARITY IN REGIONAL DEVELOPMENT AND HAVE FAVORABLE SOCIO-ECONOMIC IMPACT FOR RURAL DEVELOPMENT.

11. APPROVAL OF TA DOES NOT COMMIT BANK TO FINANCING ALL OR PART OF ANY PROJECT THAT MAY EMERGE, HOWEVER ROK INTENDS TO REQUEST BANK FOR TWO LOANS, POSSIBLY TOTALLING \$60 MILLION EQUIVALENT TO COVER FOREX COSTS OF ROAD AND BRIDGE IMPROVEMENTS FOUND TO BE FEASIBLE UNDER PROJECT. IF PROJECT LOAN MATERIALIZES, THE TECHNICAL ASSISTANCE LOAN WOULD BECOME PART OF THE PROJECT LOAN ON SAME TERMS AND CONDITIONS OF SUCH LOAN. TOTAL INVESTMENT WOULD BE ON ORDER OF MAGNITUDE \$130 MILLION IF ALL ROAD SECTIONS OF PROJECT ARE FOUND ECONOMICALLY VIABLE. COST ESTIMATES, TO BE BASED ON DETAILED ENGINEERING DONE UNDER TA, EXPECTED TO BE MORE ACCURATE THAN IF BASED ON PRELIMINARY ENGINEERING ALONE. ALSO, ROK STILL ANALYZING IMPACT OF SHORTAGES AND HIGHER PRICES FOR OIL. PROBABLY ROK DECISION WILL BE TO PROCEED WITH PLANNED NATIONAL ROAD INVESTMENT PROGRAM,

POSSIBLY DELAY OR POSTPONE PORTION OF SCHEDULED HEAVY AND CHEMICAL INDUSTRY EXPANSION IN FAVOR OF INCREASING COAL PRODUCTION, POWER GENERATION, FOOD GRAIN PRODUCTION AND COTTAGE INDUSTRIES, ALL OF WHICH RELIANT ON EFFICIENT AND LOW COST ROAD TRANSPORT. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION. IT SHOULD BE NOTED THAT IN VIEW OF PRIOR IBRD STUDIES AND FINDING OF THE MISSION SUGGESTING FEASIBILITY THIS PROJECT, USADB BELIEVES BANK IS WARRANTED IN COMBINING PHASE I FEASIBILITY AND PHASE II DETAILED DESIGNS INTO SINGLE PROJECT.

12. REQUEST EMBASSY SEOUL'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 173795 DATED 3 JULY 1972. SULLIVAN

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